2019 Annual Report
Fraud, Waste and
Abuse Investigations

February 2020

Milwaukee County Office of the Comptroller
Audit Services Division

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Office of the Comptroller
Audit Services Division

Milwaukee County

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February 21, 2020

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed an annual report concerning operation of the Audit Hotline and other related audit activities undertaken by the Office of the Comptroller's Audit Services Division during 2019.

The attached report includes a statistical summary of these activities, as well as a brief narrative that describes the nature of various categories of cases resolved during the year. In addition, some of the more interesting cases investigated during 2019 are presented in greater detail.

The nature of alleged improprieties presented to the Audit Services Division for investigation is often complex and continues to involve inter-agency cooperation with numerous governmental entities. As the Audit Services Division begins its 27th year of operating the Hotline, the experience gained from working cooperatively with County departments and offices, the District Attorney's Office, the Office of the Sheriff and other law enforcement agencies has improved the effectiveness of our efforts to combat waste, fraud and abuse in Milwaukee County government. We believe the attached report demonstrates the value of those efforts.

Please refer this report to the Committee on Finance and Audit.

Jennifer L. Folliard

Jennifer L. Folliard

JLF/cah

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Division Manager, Office of the Milwaukee County Clerk

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Background

The Milwaukee County Board of Supervisors approved the establishment of a hotline within the Audit department on September 23, 1993. The hotline was created for concerned citizens and other interested individuals to report allegations of fraud, waste or abuse in County government. Callers are not required to identify themselves and may remain anonymous.

According to the Association of Certified Fraud Examiners,[1] tips are the most common fraud detection method. Tips account for 40% of initial fraud detection. Tips from employees account for 53% of discovered fraud. Organizations that operate hotlines are more likely to catch fraud by a tip and experience fraud that is 50% smaller than an organization without a hotline.

The Audit Services Division (ASD) is authorized by Wisconsin state statute § 59.225(i)[2] and Milwaukee County ordinance § 34.095 to investigate allegations of fraud, waste and abuse.

In April 2015, following the approval of both the County Executive and the County Board of Supervisors, ordinance § 34.095 took effect. Under the ordinance, county employees, officials, contractors, vendors and program clients are required to cooperate in an investigation, ASD has increased access to records and premises, retaliation against people who cooperate with an investigation is prohibited and allegations or known instances of fraud, waste and abuse are to be reported to ASD.

ASD added an online form to its website[3] which can be used to report fraud, waste and abuse. The new employee orientation sessions include a segment on fraud, waste and abuse and the ways that an employee can make a report.

ASD and the County Ethics Board formed a relationship in which ASD personnel can act as agents of the Ethics Board when ASD opens an investigation into an alleged violation of the ethics code. This relationship allows ASD personnel limited and specific access to Ethics Board records which would otherwise be unavailable or require notification of disclosure to the filer.

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[1] *Report to the Nations 2018 Global Study on Occupational Fraud and Abuse.* Austin: Association of Certified Fraud Examiners, 2018.

[2] The comptroller shall perform all audit functions related to county government. The comptroller shall also have the duties and all the powers and responsibilities conferred upon the clerk as auditor under s. 59.47 (1), and shall perform any additional duties and shall have any additional powers as are imposed and conferred upon him or her from time to time by resolution adopted by the board. Audit functions under this paragraph shall be performed in accordance with governmental auditing standards issued by the comptroller general of the United States and generally accepted auditing standards.

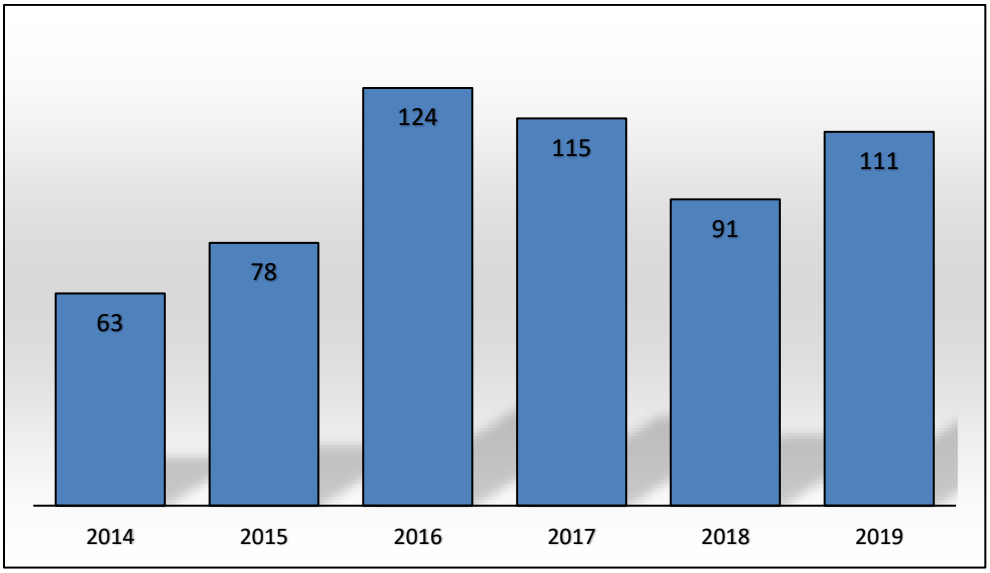
[3] https://county.milwaukee.gov/EN/Comptroller/Fraud-Waste-Abuse

Summary of 2019 Investigative Activity

Tips

ASD received 111 complaints (tips) in 2019. In 2018, ASD received 91 complaints; in 2017, 115 complaints. **Figure 1** displays the number of complaints received annually from 2014 to 2019.

Figure 1



The 2019 figure, as well as most prior years' figures, do not include contacts with ASD where personnel directed the complainant to a more appropriate agency before a complaint record was created. For example, when a person calls and speaks to ASD personnel about an alleged fraud involving a state Department of Health Services (DHS) program, ASD personnel will provide the person with the telephone number for the DHS Office of Inspector General (OIG) and not make a record of the contact.[4]

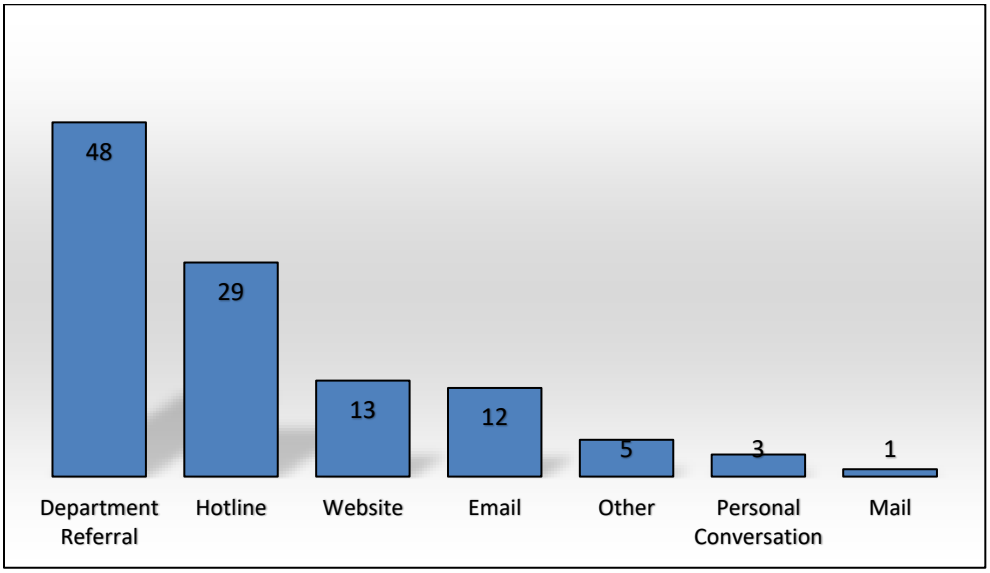
These complaints are categorized by source in **Table 1** and presented graphically in **Figure 2**.

[4] ASD personnel will record allegations when the County is involved in the administration of a state program or serves as a pass-through agency for state funding.

Table 1
Allegations of Fraud, Waste or Abuse Contact Origin

Department Referral	48
Hotline	29
Website	13
Email	12
Other	5
Personal Conversation	3
Mail	1
Total	**111**

Figure 2



The received complaints were assigned to a category based upon the nature of the alleged misconduct. **Table 2** shows the complaints received in 2019 by category.

Table 2
Allegation Categories

Personnel Misconduct	31
Other Fraud (Plus Counterfeit Checks)	30
Public Assistance Fraud	19
Non-County	15
Vendor/Provider Fraud	13
Waste	2
Operational Inefficiencies	1
Total	**111**

Cases Opened

ASD opened 7 cases in 2019. For the remaining 2019 complaints, ASD either 1) referred the information to a more appropriate agency or department for action, 2) declined additional action, 3) determined that no action was required or 4) other appropriate action as dictated by the received information. **Table 3** breaks down the disposition of all recorded complaints in 2019 as whole numbers and a percentage[5].

Table 3
Disposition

Declined	38	34.23%
Other/Provided Information	33	29.73%
Pending	17	15.32%
Referred	16	14.41%
Case Opened	7	6.31%
Total	**111**	**100.00%**

A complaint may be declined because the matter does not involve county government, there is insufficient information to take action, investigating the matter would be a duplication of efforts or ASD does not have the resources available to sufficiently address the allegation. **Table 4** identifies only the cases opened in 2019 by complaint category.

Table 4
Cases Opened

Personnel Misconduct	4
Vendor/Provider Fraud	2
Public Assistance Fraud	1
Total	**7**

Cases Closed

ASD closed 6 cases in 2019. Three of the cases concluded in 2019 were from 2018; the remaining closed cases were opened and concluded in 2019.

Generally, a case is closed substantiated when the evidence reasonably proves that a known actor committed misconduct. ASD submits the substantiated case file, which includes reports, evidence collected during the investigation and ASD's analysis and determination, to the actor's department, the Department of Human Resources and the Office of Corporation Counsel. These departments review ASD's investigation and determine the appropriate response. A case may also be closed when the alleged subject leaves County employment

[5] Percentages are rounded to whole numbers.

or affiliation, the alleged issue is corrected by a department or office or ASD determined that further action is unnecessary.

Likewise, when the evidence cannot support a finding that misconduct occurred, the case is closed unsubstantiated. An “unsubstantiated” finding does not mean that the reported misconduct did not occur, but that ASD determined the available evidence does not support administrative or legal action.

As of year-end 2019, seven cases remain active investigations. These cases remain open due to complexity, need to work with other agencies or overall demand of resources.

Table 5 categorizes the six cases closed in 2019.

Table 5
Cases Closed
Finding

Substantiated	3
Unsubstantiated	3
Total	**6**

Case Highlights

The following are descriptions of some of the cases closed during 2019. These cases are an example of the kinds of allegations which are reported to ASD. These cases also represent the value the County receives from devoting resources to combating fraud, waste and abuse.

Unless referenced by name, investigation subjects will be referred to by masculine pronouns.

Update to Case # 16012

In 2018, ASD reported on case # 16012. In summary, ASD found that a construction company working on a capital project subject to a 50% county resident labor participation goal supplied false addresses for some of the project workers to the County. The company received credit for 52% resident labor participation on the project. In total, the County paid the company $198,750 for the project.

ASD personnel demanded records from the construction company, including copies of the employees’ driver’s licenses, pay stubs and any rental or lease records for the allegedly fraudulent address. The provided driver’s licenses showed addresses in the towns and villages around the main office. The construction company provided lease documents for apartments. The provided lease documents showed that the construction company rented an apartment and revised the lease to add and remove the worker “residents.” The construction company’s true county resident participation was approximately 7%.

On September 6, 2019, after any remaining active contracts were completed, the County formally notified the company that it was debarred from bidding or working on County projects for two years.

Case # 18008

In March 2018, the Audit Services Division received a complaint from the Department of Health and Human Services (DHHS) Housing Division. Milwaukee County, as represented by DHHS Housing, is a Public Housing Authority for Department of Housing and Urban Development (HUD) section 8 rent assistance.

In summary, a program client, who resided in Milwaukee, Wisconsin died at the end of February 2018. The client's family reported to DHHS Housing that the subsidized property's owner lived in the unit with the client. The County paid approximately $67,000 in total payments for the client's rent from 2008 to 2018. The owner provided a PO Box for his address.

The investigation found substantial documentary evidence that the owner resided at the subsidized property, including, voter registration, driver's license, bank account records and various legal documents. The owner denied to ASD personnel that he resided with the client at the property. ASD believes that the owner and the tenant resided together since at least 2010.

ASD referred this matter to the Milwaukee County District Attorney's Office and the HUD OIG for criminal prosecution. In April 2019, both agencies declined to take action.

ASD recommended that DHHS Housing modify existing documentation to require that subsidized property owners certify that they do not and will not reside in the unit while the tenant is receiving rent assistance.

Case # 18012

In November 2018, ASD received anonymous complaints about operational issues at the Milwaukee County House of Correction (HOC), including wasteful spending and vendor issues. In January 2019, ASD personnel were told that HOC staff were accepting donations without proper approval and without properly accounting for these donations.

ASD focused its investigative resources on the allegations concerning the donations. During the investigation, ASD found evidence that from 2016 to the present, the HOC has received monetary and non-monetary donations from primarily Christian-based religious organizations. There was no evidence that these donations were approved by the County Board in accordance with state statutes and County ordinances. The donations include:

- solicited contributions for employee gifts given to HOC staff around Christmas,
- furniture believed to be worth approximately $2,700 for the HOC employee lounge,
- $1,000 for National Correctional Officers Week, believed to have been spent on massage therapists for HOC staff,
- $5,400 worth of coffee equipment and supplies for 2019 for the HOC employee lounge,
- $640 worth of lunches to the jail academy class which included the volunteer chaplain, and

- $25,000 grant applied for by the volunteer chaplain specifically to close a funding gap for improvements to the HOC chapel; the grant funds were primarily spent on sound equipment and instruments for use at the HOC but which are not owned by the HOC.

ASD did find that in 2018 and 2019 the HOC requested permission from the County Board to accept donated canines.

HOC personnel told ASD personnel that they consulted with the Office of Corporation Counsel (OCC) prior to receiving donations about "whether or not the donation requires approval or authorization from the County Board to accept" the items. ASD personnel contacted OCC and requested general guidance about departments accepting donations, gifts and grants.

OCC advised that conditional monetary donations, grants requiring a match and non-monetary gifts of any size or worth require board approval; and that board approval is not required for grants that do not require a match and monetary donations with no conditions, though expenditure authority is needed. Concerning the HOC donations, OCC reported that it did not advise that HOC personnel did not need to go before the County Board for approval prior to accepting donations.

In February 2020, the HOC issued guidance to all HOC personnel concerning solicitation and acceptance of gifts or donations from non-County organizations.

Case # 19001

In March 2019, ASD received a complaint of alleged fraud involving a DHHS Disabilities Services Division (DSD) program. The DSD program provides funding for the program client to hire and pay employees to provide assistance and other services. During the course of the investigation, ASD gathered evidence and information which reasonably shows that a program client representative submitted false timesheets for a client employee. The employee verified that the timesheets were not accurate and were not signed by the employee.

The client representative then received checks made payable to the employee based upon the falsified timesheets. The client representative is believed to have kept the checks, endorsed the checks with the employee's name –without the employee's permission-and then deposited the checks into the client representative's bank account. ASD determined the total value of the checks to be approximately $10,000.

In April 2019, ASD referred this matter to the DHS OIG. In May 2019, DHS OIG informed ASD that DHS OIG referred the investigation to the state Department of Justice. The status of the investigation is unknown. All parties are assumed innocent until proven guilty in a court of law.

Counterfeit Checks

In 2019, two County checks made payable to two different vendors were intercepted. The check amounts were approximately $26,000 and $49,500. The check payees were changed without the County's permission or authority from the intended parties to two

different names. The $26,000 check was deposited out of state; the other was deposited in state.

ASD, the Office of the Treasurer and the Milwaukee County Sheriff's Office (MCSO) worked together to investigate the tampered checks and to mitigate any loss to the County and its vendors. Ultimately, due in large part to the excellent collaboration between the various County offices, the County was reimbursed for the full value of both tampered checks and experienced no loss. The County reissued checks to the vendors.

MCSO made an arrest related to the altered check deposited in state. In August 2019, the Milwaukee County District Attorney's Office charged the subject, Ricky Anthony Ford, with uttering, a felony. The case number is 2019CF3763. The case has not been concluded and Ford is presumed innocent until proven guilty.

Other Activity

In addition to receiving and investigating allegations of fraud, waste and abuse, ASD personnel:

- Consult on performance audit fraud risk assessments in accordance with Generally Accepted Government Auditing Standards.
- Assist other local, state and federal agencies in performing their duties related to investigating fraud, waste and abuse.
- By request, provide information for use by County departments and leadership to make better informed responses to issues of real or perceived instances of fraud, waste and abuse.

Milwaukee County Hotline Savings/Recovery (1994—2019)

These are the accumulated savings and recoveries for the program since 1994. Industry standards recognize $1 of indirect savings for every $1 of direct savings.

- Total Direct = $5,021,612
- Total Indirect = $10,043,224

Audit Services Division Mission Statement

Through independent, objective and timely analysis of information, the Milwaukee County Audit Services Division assists both policy makers and program managers in providing high-quality services in a manner that is honest, efficient, effective and accountable to the citizens of Milwaukee County.

MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

Ph: (414) 93-FRAUD – Fax: (414) 223-1895

(9 3 3 - 7 2 8 3)

Email: hotline@4securemail.com Website: county.milwaukee.gov/EN/Comptroller/Fraud-Waste-Abuse
Write: Fraud Hotline- 633 W. Wisconsin Avenue, Suite 904, Milwaukee, WI 53203

Milwaukee County Comptroller's Office Audit Services Division

For Reporting:

- **Incidents of fraud, waste or abuse in County government**
- **Concerns over inefficient Milwaukee County government operations**

CALLERS NOT REQUIRED TO GIVE THEIR NAMES

-------- Other Numbers --------

Milwaukee County:	
Aging - Elder Abuse Helpline	**414-289-6874**
Child Support –	
Customer Service	**414-615-2593**
District Attorney –	
Consumer Fraud Unit	**414-278-4585**
Public Integrity Unit	**414-278-4645**
Mental Health	
Crisis Hotline	**414-257-7222**
Crisis Hotline (TTY/TDD)	**414-257-6300**
Minimum Wage Ordinance	**414-278-4206**
Employee Relations	**414-278-2000**
City of Milwaukee:	
Fraud Hotline	**414-286-3440**

Sheriff's Office –	
Community Against Pushers (Anonymous Drug Reporting)	**414-273-2020**
Guns Hotline	**414-278-4867**
Internal Affairs	**414-278-5399**
State of Wisconsin:	
Child Abuse or Neglect Referrals	**414-220-7233**
DOJ Consumer Protection Unit	**1-800-998-0700**
Wisconsin W-2 Fraud Hotline	**1-877-865-3432**
Wisconsin Child Care Fraud	**1-877-302-3728**
Legislative Audit Bureau Hotline	**1-877-372-8317**
Federal:	
Medicare Fraud	**1-800-447-8477**
Social Security Fraud	**1-800-269-0271**
Federal Funds Fraud (FraudNet)	**1-800-424-5454**

(11/06/18)